

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Coon Rapids-Bayard Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education  
(Before September 2007 Election)**

Roger Tapps	President	2008
Allen Schroeder	Vice President	2008
Pat McAlister	Board Member	2009
Nancy Hagan	Board Member	2009
Jim Schwaller	Board Member	2008
Larry Nees	Board Member	2007
Mike Oswald	Board Member	2007

**Board of Education  
(After September 2007 Election)**

Roger Tapps	President	2008
Jim Schwaller	Vice President	2008
Pat McAlister	Board Member	2009
Nancy Hagan	Board Member	2009
Allen Schroeder	Board Member	2008
Larry Nees	Board Member	2010
Mike Oswald	Board Member	2010

**School Officials**

Rich Stoffers	Superintendent	2008
Gail Hopkins	District Secretary	2008
Rick Engel	District Attorney	2008

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

### INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Coon Rapids-Bayard Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Coon Rapids-Bayard Community School District, Coon Rapids, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Coon Rapids-Bayard Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2009 on our consideration of Coon Rapids-Bayard Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required

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parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Coon Rapids-Bayard Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2009

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Coon Rapids-Bayard Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$4,183,090 in fiscal year 2007 to \$4,253,647 in fiscal year 2008, while General Fund expenditures increased from \$4,223,827 in fiscal 2007 to \$4,423,649 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$406,404 in fiscal 2007 to \$236,402 in fiscal 2008, a 41.83% decrease from prior year.
- The School Nutrition fund balance decreased 87.81%, or \$9,740, due to an increase in expenses during the year.
- The District's solvency ratio as of June 30, 2008 is 4.88%, down from the previous year's solvency ratio of 9.52%.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Coon Rapids-Bayard Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Coon Rapids-Bayard Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Coon Rapids-Bayard Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Coon Rapids-Bayard Community School District Annual Financial Report**

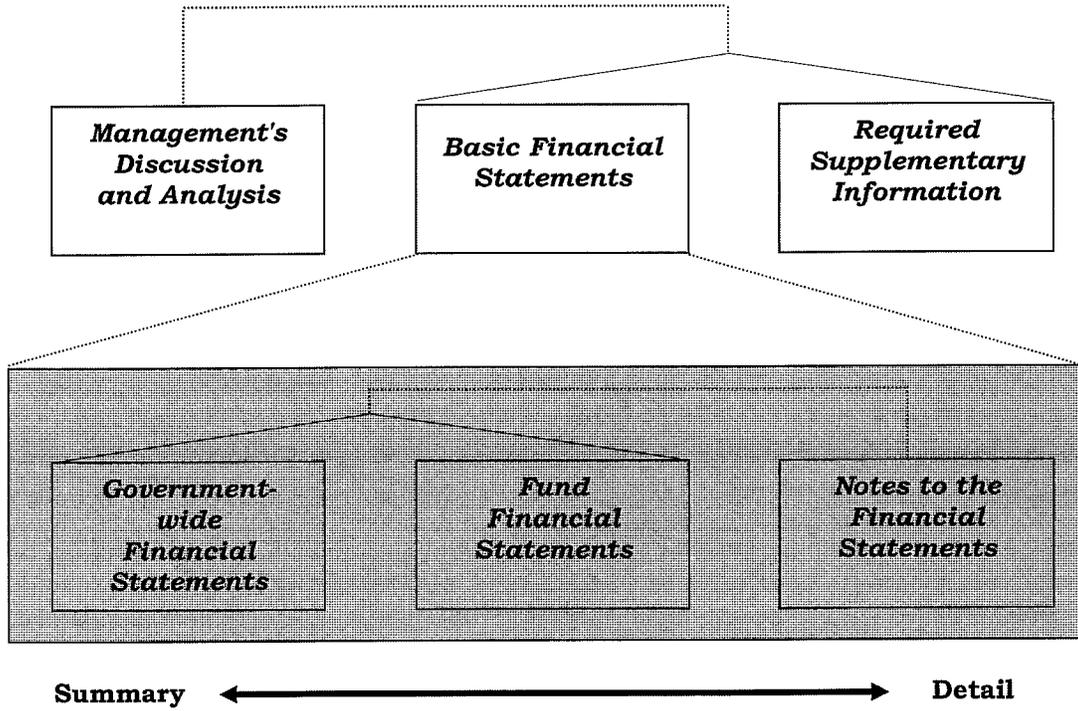


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency fund and Private-Purpose Trust Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other entities and the Empowerment Program, whereby the District acts as the fiscal agent.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3  
Condensed Statement of Net Assets

	Governmental		Business-Type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 3,367,330	3,437,963	672	10,693	3,368,002	3,448,656	-2.34%
Capital assets	3,398,760	3,494,818	14,737	13,471	3,413,497	3,508,289	-2.70%
Total assets	6,766,090	6,932,781	15,409	24,164	6,781,499	6,956,945	-2.52%
Long-term obligations	704,793	850,093	0	0	704,793	850,093	-17.09%
Other liabilities	2,501,813	2,633,949	14,057	13,072	2,515,870	2,647,021	-4.95%
Total liabilities	3,206,606	3,484,042	14,057	13,072	3,220,663	3,497,114	-7.91%
Net assets:							
Invested in capital assets, net of related debt	2,733,760	2,684,818	14,737	13,471	2,748,497	2,698,289	1.86%
Restricted	576,106	335,255	0	0	576,106	335,255	71.84%
Unrestricted	249,618	428,666	(13,385)	(2,379)	236,233	426,287	-44.58%
Total net assets	\$ 3,559,484	3,448,739	1,352	11,092	3,560,836	3,459,831	2.92%

The District's combined net assets increased by 2.92% or \$101,005 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 71.84% or \$240,851 over the prior year.

Unrestricted net assets-are the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased 44.58% or \$190,054 from the prior year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4  
Changes of Net Assets

	Governmental		Business-Type		Total		Total
	Activities		Activities		School District		Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 237,616	234,784	102,505	112,227	340,121	347,011	-1.99%
Operating grants and contributions and restricted interest	652,446	613,907	128,759	111,598	781,205	725,505	7.68%
Capital grants and contributions and restricted interest	7,082	1,615	0	0	7,082	1,615	338.51%
General revenues:							
Property tax	1,791,217	1,813,460	0	0	1,791,217	1,813,460	-1.23%
Local option sales and service tax	262,230	280,470	0	0	262,230	280,470	-6.50%
Unrestricted state grants	1,959,134	1,880,790	0	0	1,959,134	1,880,790	4.17%
Other	109,928	140,149	44	110	109,972	140,259	-21.59%
Total revenues	5,019,653	4,965,175	231,308	223,935	5,250,961	5,189,110	1.19%
Program expenses:							
Governmental activities:							
Instructional	3,221,797	3,100,991	0	0	3,221,797	3,100,991	3.90%
Support services	1,353,843	1,282,347	0	0	1,353,843	1,282,347	5.58%
Non-instructional programs	0	0	241,048	236,299	241,048	236,299	2.01%
Other expenses	333,268	339,192	0	0	333,268	339,192	-1.75%
Total expenses	4,908,908	4,722,530	241,048	236,299	5,149,956	4,958,829	3.85%
Change in net assets	110,745	242,645	(9,740)	(12,364)	101,005	230,281	-56.14%
Net assets beginning of year	3,448,739	3,206,094	11,092	23,456	3,459,831	3,229,550	7.13%
Net assets end of year	\$ 3,559,484	3,448,739	1,352	11,092	3,560,836	3,459,831	2.92%

In fiscal 2008, property tax and unrestricted state grants account for 74.71% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.98% of the revenue from business type activities.

The District's total revenues were \$5,250,961 of which \$5,019,653 was for governmental activities and \$231,308 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.19% increase in revenues and a 3.85% increase in expenses. The increase in expenses was related to increases in negotiated salary and benefits.

**Governmental Activities**

Revenues for governmental activities were \$5,019,653 and expenses were \$4,908,908.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 3,221,797	3,100,991	3.90%	2,485,795	2,401,440	3.51%
Support services	1,353,843	1,282,347	5.58%	1,353,843	1,282,347	5.58%
Other expenses	333,268	339,192	-1.75%	172,126	188,437	-8.66%
Totals	\$ 4,908,908	4,722,530	3.95%	4,011,764	3,872,224	3.60%

- The cost financed by users of the District’s programs was \$237,616.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$659,528.
- The net cost of governmental activities was financed with \$1,791,217 in property tax, \$262,230 in local option sales and services tax, \$1,959,134 in unrestricted state revenues, \$49,958 in interest income and 59,970 in other general revenue.

**Business-Type Activities**

Revenues of the District’s business-type activities were \$231,308 and expenses were \$241,048. The District’s business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, the Coon Rapids-Bayard Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$783,810, above last year’s ending fund balances of \$722,802. However, the primary reason for the increase is due to the increased fund balance of the Capital Projects Fund.

**Governmental Fund Highlights**

- The District’s General Fund financial position changed from \$406,404 to \$236,402. This was due to increases in negotiated salaries and benefits for District employees
- The District continued receiving local option sales and service tax from Audubon and Greene County and is now receiving from Guthrie and Carroll Counties. The additional revenues seen by the fund from Guthrie and Carroll Counties allowed the Capital Projects Fund to increase from a balance of \$136,002 for fiscal 2007 to a balance of \$302,499 for fiscal 2008.
- The Special Revenue, Physical Plant and Equipment Levy Fund balance increased to \$74,574 as compared to \$29,536 from the prior year. This is the result of the sale of real property.

## Proprietary Funds Highlights

The School Nutrition Fund net assets decreased from \$11,092 at June 30, 2007 to \$1,352 at June 30, 2008, representing a decrease of 87.81%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$122,385 less than budgeted revenues, a variance of 2.28%. The most significant variance resulted from the District receiving less in local and state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, the District had invested \$3,413,497, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$195,525.

The original cost of the District's capital assets was \$6,734,363. Governmental funds account for \$6,681,198 with the remainder of \$53,165 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land category. The District's land totaled \$162,873 at June 30, 2007 compared to \$122,400 at June 30, 2008. The decrease was the result of the District selling real property during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 122,400	162,873	0	0	122,400	162,873	-24.85%
Buildings	2,655,664	2,738,434	0	0	2,655,664	2,738,434	-3.02%
Improvements other than buildings	493,463	428,344	0	0	493,463	428,344	15.20%
Machinery and equipment	127,233	165,167	14,737	13,471	141,970	178,638	-20.53%
Total	\$ 3,398,760	3,494,818	14,737	13,471	3,413,497	3,508,289	-2.70%

### Long-Term Debt

At June 30, 2008, the District had \$704,793 in other long-term debt outstanding. This represents a decrease of 17.09% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

At year-end, the District had total capital loan notes payable from the Special Revenue, Physical Plant and Equipment Levy of \$665,000.

At year-end, the District had total Compensated Absences payable from the General Fund of \$39,793.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
Capital loan notes	\$ 665,000	810,000	-17.90%
Compensated absences	39,793	40,093	-0.75%
Totals	\$ 704,793	850,093	-17.09%

### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Increases in health insurance premiums, along with salaries and benefits for the employees is always a concern for the District.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- October 2008 certified enrollment had a drop of 20.9 students, comparable to the previous year that had a decrease of 20.4 students.
- Forecasts for higher utility costs and gas/diesel fuel in the fall and winter of 2008 will require constant monitoring. Fluctuations of great magnitude in utility costs and gas/diesel fuel will negatively impact the General Fund budget.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gail Hopkins, District Board Secretary, Coon Rapids-Bayard Community School District, 906 North Street, P.O. Box 297, Coon Rapids, Iowa, 50068-0297.

BASIC FINANCIAL STATEMENTS

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments:			
ISCAP (Note 5)	\$ 225,826	0	225,826
Other	1,075,111	10,799	1,085,910
Receivables:			
Property tax:			
Delinquent	27,501	0	27,501
Succeeding year	1,793,859	0	1,793,859
Income surtax	84,120	0	84,120
Interfund	15,337	(15,337)	0
Accounts	7,534	107	7,641
Accrued interest:			
ISCAP (Note 5)	86	0	86
Due from other governments	137,956	38	137,994
Inventories	0	5,065	5,065
Capital assets, net of accumulated depreciation (Note 6)	3,398,760	14,737	3,413,497
<b>Total Assets</b>	<b>6,766,090</b>	<b>15,409</b>	<b>6,781,499</b>
<b>Liabilities</b>			
Accounts payable	51,757	2,926	54,683
Salaries and benefits payable	424,129	7,267	431,396
Accrued interest payable	2,413	0	2,413
ISCAP warrants payable (Note 5)	224,000	0	224,000
ISCAP accrued interest payable (Note 5)	66	0	66
ISCAP premiums payable	3,842	0	3,842
Deferred revenue:			
Succeeding year property tax	1,793,859	0	1,793,859
Other	1,747	0	1,747
Unearned revenue	0	3,864	3,864
Long-term liabilities (Note 7):			
Portion due within one year:			
Capital loan notes payable	160,000	0	160,000
Compensated absences payable	39,793	0	39,793
Portion due after one year:			
Capital loan notes payable	505,000	0	505,000
<b>Total Liabilities</b>	<b>3,206,606</b>	<b>14,057</b>	<b>3,220,663</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	2,733,760	14,737	2,748,497
Restricted for:			
Talented and gifted	10,584	0	10,584
Beginning teacher mentoring	4	0	4
Salary improvement program	3,826	0	3,826
Early intervention	10,949	0	10,949
Market factor incentives	3,335	0	3,335
Management levy	89,343	0	89,343
Physical plant and equipment levy	79,574	0	79,574
Capital projects	302,499	0	302,499
Debt service	452	0	452
Other special revenue purposes	75,540	0	75,540
Unrestricted	249,618	(13,385)	236,233
<b>Total Net Assets</b>	<b>\$ 3,559,484</b>	<b>1,352</b>	<b>3,560,836</b>

SEE NOTES TO FINANCIAL STATEMENTS

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Total
	Charges for Expenses	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business- Type Activities		
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular instruction	\$ 2,050,962	35,896	448,299	0	(1,566,767)	0	(1,566,767)
Special instruction	674,584	16,468	27,280	0	(630,836)	0	(630,836)
Other instruction	496,251	185,252	22,807	0	(288,192)	0	(288,192)
	<u>3,221,797</u>	<u>237,616</u>	<u>498,386</u>	<u>0</u>	<u>(2,485,795)</u>	<u>0</u>	<u>(2,485,795)</u>
Support services:							
Student services	114,789	0	0	0	(114,789)	0	(114,789)
Instructional staff services	270,209	0	0	0	(270,209)	0	(270,209)
Administration services	370,124	0	0	0	(370,124)	0	(370,124)
Operation and maintenance of plant services	419,526	0	0	0	(419,526)	0	(419,526)
Transportation services	179,195	0	0	0	(179,195)	0	(179,195)
	<u>1,353,843</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,353,843)</u>	<u>0</u>	<u>(1,353,843)</u>
Other expenditures:							
Facilities acquisitions	27,493	0	0	7,082	(20,411)	0	(20,411)
Long-term debt interest	34,805	0	0	0	(34,805)	0	(34,805)
AEA flowthrough	154,060	0	154,060	0	0	0	0
Depreciation(unallocated)*	116,910	0	0	0	(116,910)	0	(116,910)
	<u>333,268</u>	<u>0</u>	<u>154,060</u>	<u>7,082</u>	<u>(172,126)</u>	<u>0</u>	<u>(172,126)</u>
Total governmental activities	4,908,908	237,616	652,446	7,082	(4,011,764)	0	(4,011,764)
Business-Type activities:							
Non-instructional programs:							
Nutrition services	241,048	102,505	128,759	0	0	(9,784)	(9,784)
Total business-type activities	<u>241,048</u>	<u>102,505</u>	<u>128,759</u>	<u>0</u>	<u>0</u>	<u>(9,784)</u>	<u>(9,784)</u>
Total	<u>\$ 5,149,956</u>	<u>340,121</u>	<u>781,205</u>	<u>7,082</u>	<u>(4,011,764)</u>	<u>(9,784)</u>	<u>(4,021,548)</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes				\$ 1,561,365	0	1,561,365	
Capital outlay				229,852	0	229,852	
Local option sales and services tax				262,230	0	262,230	
Unrestricted state grants				1,959,134	0	1,959,134	
Unrestricted investment earnings				49,958	44	50,002	
Other				59,970	0	59,970	
Total general revenues				<u>4,122,509</u>	<u>44</u>	<u>4,122,553</u>	
Changes in net assets				110,745	(9,740)	101,005	
Net assets beginning of year				3,448,739	11,092	3,459,831	
Net assets end of year				<u>\$ 3,559,484</u>	<u>1,352</u>	<u>3,560,836</u>	

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments:				
ISCAP (Note 5)	\$ 225,826	0	0	225,826
Other	595,078	232,776	247,257	1,075,111
Receivables:				
Property tax:				
Delinquent	23,027	0	4,474	27,501
Succeeding year	1,474,845	0	319,014	1,793,859
Income surtax	84,120	0	0	84,120
Interfund	15,337	0	0	15,337
Accounts	5,594	0	1,940	7,534
Accrued interest:				
ISCAP (Note 5)	86	0	0	86
Due from other governments	68,233	69,723	0	137,956
<b>Total Assets</b>	<b>\$ 2,492,146</b>	<b>302,499</b>	<b>572,685</b>	<b>3,367,330</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 42,995	0	8,762	51,757
Salaries and benefits payable	424,129	0	0	424,129
ISCAP warrants payable (Note 5)	224,000	0	0	224,000
ISCAP accrued interest payable (Note 5)	66	0	0	66
ISCAP premiums payable	3,842	0	0	3,842
Deferred revenue:				
Succeeding year property tax	1,474,845	0	319,014	1,793,859
Income surtax	84,120	0	0	84,120
Other	1,747	0	0	1,747
Total liabilities	2,255,744	0	327,776	2,583,520
Fund balances:				
Reserved for:				
Talented and gifted	10,584	0	0	10,584
Beginning teacher mentoring	4	0	0	4
Salary improvement program	3,826	0	0	3,826
Early intervention	10,949	0	0	10,949
Market factor incentives	3,335	0	0	3,335
Debt service	0	0	452	452
Unreserved	207,704	302,499	244,457	754,660
Total fund balances	236,402	302,499	244,909	783,810
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,492,146</b>	<b>302,499</b>	<b>572,685</b>	<b>3,367,330</b>

SEE NOTES TO FINANCIAL STATEMENTS

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2008

<b>Total fund balances of governmental funds (page 15)</b>	\$ 783,810
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in the governmental funds.	3,398,760
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	84,120
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(2,413)
Long-term liabilities including notes payable, and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(704,793)</u>
<b>Net assets of governmental activities (page 13)</b>	<u><u>\$ 3,559,484</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,486,284	262,230	304,933	2,053,447
Tuition	52,364	0	0	52,364
Other	126,436	2,917	195,716	325,069
State sources	2,419,315	0	210	2,419,525
Federal sources	169,248	0	0	169,248
Total revenues	<u>4,253,647</u>	<u>265,147</u>	<u>500,859</u>	<u>5,019,653</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	2,022,325	0	1,492	2,023,817
Special instruction	674,584	0	0	674,584
Other instruction	323,675	0	186,221	509,896
	<u>3,020,584</u>	<u>0</u>	<u>187,713</u>	<u>3,208,297</u>
Support services:				
Student services	114,789	0	0	114,789
Instructional staff services	270,209	0	0	270,209
Administration services	332,783	0	37,341	370,124
Operation and maintenance of plant services	363,529	0	13,098	376,627
Transportation services	167,695	0	19,386	187,081
	<u>1,249,005</u>	<u>0</u>	<u>69,825</u>	<u>1,318,830</u>
Other expenditures:				
Facilities acquisitions	0	99,259	27,493	126,752
Long-term debt:				
Principal	0	0	145,000	145,000
Interest	0	0	35,300	35,300
AEA flowthrough	154,060	0	0	154,060
	<u>154,060</u>	<u>99,259</u>	<u>207,793</u>	<u>461,112</u>
Total expenditures	<u>4,423,649</u>	<u>99,259</u>	<u>465,331</u>	<u>4,988,239</u>
Excess (deficiency) of revenues over (under) expenditures	(170,002)	165,888	35,528	31,414
Other financing sources (uses):				
Transfer in	0	0	179,900	179,900
Transfer out	0	0	(179,900)	(179,900)
Compensation for loss of fixed assets	0	609	3,985	4,594
Sale of real property	0	0	25,000	25,000
Total other financing sources (uses)	<u>0</u>	<u>609</u>	<u>28,985</u>	<u>29,594</u>
Net change in fund balances	(170,002)	166,497	64,513	61,008
Fund balance beginning of year	406,404	136,002	180,396	722,802
Fund balance end of year	<u>\$ 236,402</u>	<u>302,499</u>	<u>244,909</u>	<u>783,810</u>

SEE NOTES TO FINANCIAL STATEMENTS

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ 61,008

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense, capital expenditures, and loss on disposal of capital assets in the current year, as follows:

Capital expenditures	\$ 137,706	
Depreciation expense	(193,291)	
Loss on the disposal of capital assets	<u>(40,473)</u>	(96,058)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	300
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Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

145,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

495

Changes in net assets of governmental activities (page 14)

\$ 110,745

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2008

	School Nutrition
<b>Assets</b>	
Cash and pooled investments	\$ 10,799
Accounts	38
Due from other governments	107
Inventories	5,065
Capital assets, net of accumulated depreciation(Note 6)	14,737
<b>Total Assets</b>	<b>30,746</b>
 <b>Liabilities</b>	
Interfund payable	15,337
Accounts payable	2,926
Salaries and benefits payable	7,267
Unearned revenue	3,864
<b>Total Liabilities</b>	<b>29,394</b>
 <b>Net Assets</b>	
Invested in capital assets	14,737
Unrestricted	(13,385)
<b>Total Net Assets</b>	<b>\$ 1,352</b>

SEE NOTES TO FINANCIAL STATEMENTS

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2008

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 102,505
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	79,162
Benefits	17,612
Services	1,895
Supplies	140,032
Other	113
Depreciation	2,234
TOTAL OPERATING EXPENSES	241,048
OPERATING LOSS	(138,543)
NON-OPERATING REVENUES:	
State sources	2,987
Federal sources	125,772
Interest income	44
TOTAL NON-OPERATING REVENUES	128,803
Changes in net assets	(9,740)
Net assets beginning of year	11,092
Net assets end of year	\$ 1,352

SEE NOTES TO FINANCIAL STATEMENTS

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2008

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 102,530
Cash payments to employees for services	(98,778)
Cash payments to suppliers for goods or services	(128,303)
Net cash used in operating activities	(124,551)
Cash flows from non-capital financing activities:	
Borrowings from the General Fund	15,337
State grants received	2,987
Federal grants received	110,922
Net cash provided by non-capital financing activities	129,246
Cash flows from capital financing activities:	
Acquisition of capital assets	(3,500)
Cash flows from investing activities:	
Interest on investment	44
Net increase in cash and cash equivalents	1,239
Cash and cash equivalents at beginning of year	9,560
Cash and cash equivalents at end of year	\$ 10,799
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (138,543)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	14,743
Depreciation	2,234
Increase in inventories	(3,932)
Increase in accounts receivable	(38)
Increase in accounts payable	2,926
Decrease in salaries and benefits payable	(2,004)
Increase in unearned revenue	63
Net cash used in operating activities	\$ (124,551)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and investments	\$ 10,799

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$14,743.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

	<u>Agency</u>
<b>Assets</b>	
Cash and pooled investments	<u>\$ 7,607</u>
<b>Liabilities</b>	
Due to other groups	<u>\$ 7,607</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2008

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest on investments	\$ 3,000
Deductions:	
Non-instructional programs:	
Scholarships awarded	3,000
Change in net assets	0
Net assets beginning of year	0
Net assets end of year	\$ 0

SEE NOTES TO FINANCIAL STATEMENTS

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**(1) Summary of Significant Accounting Policies**

The Coon Rapids-Bayard Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Coon Rapids and Bayard, Iowa, and the predominate agricultural territory in a portion of Audubon, Carroll, Greene and Guthrie Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Coon Rapids-Bayard Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Coon Rapids-Bayard Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Audubon, Carroll, Greene and Guthrie County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary fund is the School Nutrition Fund. The Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operation.

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these

pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 0
Buildings	10,000
Land improvements	10,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	3,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Life (In Years)
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough

thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The District has no investments as of June 30, 2008.

**(3) Transfers**

The detail of transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue: Physical Plant and Equipment Levy	<u>\$ 179,900</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The Special Revenues: Physical Plant and Equipment Levy Fund transferred funds to the Debt Service Fund for the payment of the Capital Loan Notes.

**(4) Due From and Due To Other Funds**

The detail of the interfund receivables and payables at June 30, 2008, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nutrition Fund	<u>\$ 15,337</u>

The Nutrition Fund is repaying the General Fund for the shortfall in cash flow for Nutrition expenses incurred. The balance will be repaid by June 30, 2009.

**(5) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers

Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09A	06/26/08	06/25/09	\$ 225,826	86	224,000	66

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. For the year ended June 30, 2008, there was no advance ISCAP activity.

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2008-09A	3.500%	3.469%

**(6) Capital Assets**

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 162,873	0	40,473	122,400
Total capital assets not being depreciated	162,873	0	40,473	122,400
Capital assets being depreciated:				
Buildings	4,930,931	0	0	4,930,931
Land improvements	682,799	99,259	0	782,058
Machinery and equipment	807,362	38,447	0	845,809
Total capital assets being depreciated	6,421,092	137,706	0	6,558,798
Less accumulated depreciation for:				
Buildings	2,192,497	82,770	0	2,275,267
Land improvements	254,455	34,140	0	288,595
Machinery and equipment	642,195	76,381	0	718,576
Total accumulated depreciation	3,089,147	193,291	0	3,282,438
Total capital assets being depreciated, net	3,331,945	(55,585)	0	3,276,360
Governmental activities capital assets, net	\$ 3,494,818	(55,585)	40,473	3,398,760

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 49,665	3,500	0	53,165
Less accumulated depreciation	36,194	2,234	0	38,428
Business-type activities capital assets, net	<u>\$ 13,471</u>	<u>1,266</u>	<u>0</u>	<u>14,737</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 27,445
Other		12,302
Support services:		
Operation and maintenance of plant		2,426
Transportation		34,208
Unallocated depreciation		<u>116,910</u>
Total governmental activities depreciation expense		<u>\$ 193,291</u>
Business-type activities:		
Food services		<u>\$ 2,234</u>

**(7) Long-Term Liabilities**

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Capital loan notes	\$ 810,000	0	145,000	665,000	160,000
Compensated absences	40,093	39,793	40,093	39,793	39,793
Total	<u>\$ 850,093</u>	<u>39,793</u>	<u>185,093</u>	<u>704,793</u>	<u>199,793</u>

Capital Loan Notes Payable

The District issued \$1,240,000 of capital loan notes during the year ended June 30, 2002 to finance a construction project. These notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	4.20 %	\$ 160,000	28,955	188,955
2010	4.30	160,000	22,235	182,235
2011	4.40	170,000	15,355	185,355
2012	4.50	175,000	7,875	182,875
Total		<u>\$ 665,000</u>	<u>74,420</u>	<u>739,420</u>

**(8) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$165,644, \$150,264, and \$145,738 respectively, equal to the required contributions for each year.

**(9) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$154,060 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

**(11) Deficit Net Assets**

At the year ended June 30, 2008, the Nutrition Fund had deficit unrestricted net assets of \$13,385.

REQUIRED SUPPLEMENTARY INFORMATION

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2008

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 2,430,880	102,549	2,533,429	2,587,586	2,587,586	(54,157)
Intermediate sources	0	0	0	7,000	7,000	(7,000)
State sources	2,419,525	2,987	2,422,512	2,473,760	2,473,760	(51,248)
Federal sources	169,248	125,772	295,020	305,000	305,000	(9,980)
Total revenues	<u>5,019,653</u>	<u>231,308</u>	<u>5,250,961</u>	<u>5,373,346</u>	<u>5,373,346</u>	<u>(122,385)</u>
<b>Expenditures:</b>						
Instruction	3,208,297	0	3,208,297	3,600,406	3,600,406	392,109
Support services	1,318,830	0	1,318,830	1,539,000	1,539,000	220,170
Non-instructional programs	0	241,048	241,048	273,956	273,956	32,908
Other expenditures	461,112	0	461,112	549,269	549,269	88,157
Total expenditures	<u>4,988,239</u>	<u>241,048</u>	<u>5,229,287</u>	<u>5,962,631</u>	<u>5,962,631</u>	<u>733,344</u>
Excess(deficiency) of revenues over(under) expenditures	31,414	(9,740)	21,674	(589,285)	(589,285)	610,959
Other financing sources, net	<u>29,594</u>	<u>0</u>	<u>29,594</u>	<u>0</u>	<u>0</u>	<u>29,594</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures	61,008	(9,740)	51,268	(589,285)	(589,285)	640,553
Balance beginning of year	<u>722,802</u>	<u>11,092</u>	<u>733,894</u>	<u>755,179</u>	<u>755,179</u>	<u>(21,285)</u>
Balance end of year	<u>\$ 783,810</u>	<u>1,352</u>	<u>785,162</u>	<u>165,894</u>	<u>165,894</u>	<u>619,268</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2008

	Special Revenue Funds					Total
	Student Activity	Manage- ment Levy	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	Other
Nonmajor Governmental Funds						
<b>Assets</b>						
Cash and pooled investments	\$ 80,998	89,460	76,347	246,805	452	247,257
Receivables:						
Property tax:						
Current year delinquent	0	1,247	3,227	4,474	0	4,474
Succeeding year	0	75,000	244,014	319,014	0	319,014
Accounts	1,812	128	0	1,940	0	1,940
<b>Total Assets</b>	<b>\$ 82,810</b>	<b>165,835</b>	<b>323,588</b>	<b>572,233</b>	<b>452</b>	<b>572,685</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 7,270	1,492	0	8,762	0	8,762
Deferred revenue:						
Succeeding year property tax	0	75,000	244,014	319,014	0	319,014
Total liabilities	7,270	76,492	244,014	327,776	0	327,776
Fund balances:						
Reserved:						
Debt service	0	0	0	0	452	452
Unreserved	75,540	89,343	79,574	244,457	0	244,457
Total fund balances	75,540	89,343	79,574	244,457	452	244,909
<b>Total Liabilities and Fund Balances</b>	<b>\$ 82,810</b>	<b>165,835</b>	<b>323,588</b>	<b>572,233</b>	<b>452</b>	<b>572,685</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds					Total
	Student Activity	Manage- ment Levy	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
<b>REVENUES:</b>						
Local sources:						
Local tax	\$ 0	75,081	229,852	304,933	0	304,933
Other	182,880	1,664	10,942	195,486	230	195,716
State sources	0	58	152	210	0	210
<b>TOTAL REVENUES</b>	<b>182,880</b>	<b>76,803</b>	<b>240,946</b>	<b>500,629</b>	<b>230</b>	<b>500,859</b>
<b>EXPENDITURES:</b>						
Current:						
Instruction:						
Regular instruction	0	1,492	0	1,492	0	1,492
Other instruction	186,221	0	0	186,221	0	186,221
Support services:						
Administration services	0	37,341	0	37,341	0	37,341
Operation and maintenance of plant services	0	13,098	0	13,098	0	13,098
Transportation services	0	6,886	12,500	19,386	0	19,386
Other expenditures:						
Facilities acquisitions	0	0	27,493	27,493	0	27,493
Long-term debt:						
Principal	0	0	0	0	145,000	145,000
Interest and fiscal charges	0	0	0	0	35,300	35,300
<b>TOTAL EXPENDITURES</b>	<b>186,221</b>	<b>58,817</b>	<b>39,993</b>	<b>285,031</b>	<b>180,300</b>	<b>465,331</b>
Excess(deficiency) of revenues over(under) expenditures	(3,341)	17,986	200,953	215,598	(180,070)	35,528
<b>OTHER FINANCING SOURCES(USES):</b>						
Transfer in	0	0	0	0	179,900	179,900
Transfer out	0	0	(179,900)	(179,900)	0	(179,900)
Sale of real property	0	0	25,000	25,000	0	25,000
Compensation for loss of fixed assets	0	0	3,985	3,985	0	3,985
<b>TOTAL OTHER FINANCING SOURCES(USES)</b>	<b>0</b>	<b>0</b>	<b>(150,915)</b>	<b>(150,915)</b>	<b>179,900</b>	<b>28,985</b>
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	(3,341)	17,986	50,038	64,683	(170)	64,513
<b>FUND BALANCES BEGINNING OF YEAR</b>	<b>78,881</b>	<b>71,357</b>	<b>29,536</b>	<b>179,774</b>	<b>622</b>	<b>180,396</b>
<b>FUND BALANCES END OF YEAR</b>	<b>\$ 75,540</b>	<b>89,343</b>	<b>79,574</b>	<b>244,457</b>	<b>452</b>	<b>244,909</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Co-Ed athletics	\$ 0	48,689	48,235	454
Interest on investments	674	3,684	3,138	1,220
RIF club	1,626	944	549	2,021
Technology club	175	10	0	185
Elementary club	2,872	1,000	777	3,095
MS track	109	7	0	116
MS girls basketball	528	31	0	559
MS cheerleaders	106	7	0	113
MS concessions	1,719	100	0	1,819
MS club	1,197	1,994	2,634	557
MS student council	399	710	340	769
Drama and speech	2,097	3,240	3,492	1,845
Cross country	44	135	135	44
Boys basketball	1,455	2,564	3,233	786
Football	203	7,421	6,494	1,130
Baseball	0	6,534	6,212	322
Boys track	93	1,777	1,781	89
Boys golf	0	352	352	0
Wrestling club	3,348	3,105	3,768	2,685
Wrestling	240	34	870	(596)
Girls basketball	0	2,814	2,766	48
Girls volleyball	1,198	3,126	2,700	1,624
Softball	171	2,106	2,277	0
Girls golf	429	1,038	1,264	203
Art club	830	48	0	878
Pepsi products	6,670	13,360	18,083	1,947
Gymnasium Scoretable	0	3,185	3,185	0
High School Cheerleaders	683	6,727	5,697	1,713
Concessions	1,208	12,142	12,061	1,289
FFA	8,240	21,221	22,698	6,763
FCCLA	895	127	143	879
YSO	134	8	0	142
National honor society	61	413	474	0
FCA	5	0	5	0
Student agendas	441	154	595	0
Sign fund	752	1,582	3,187	(853)
Spanish club	12,659	736	110	13,285
Student council	7,128	4,926	5,880	6,174
Band trip	5,207	5,639	2,493	8,353
Yearbook	10,798	6,161	6,520	10,439
Phone card	224	13	80	157
Flags/winterguard	36	2	38	0
Class of 2006	59	0	59	0
Class of 2007	1,201	111	650	662
Class of 2008	2,670	397	2,095	972
Class of 2009	207	7,843	6,834	1,216
Class of 2010	90	6,373	4,317	2,146
Class of 2011	0	290	0	290
Total	\$ 78,881	182,880	186,221	75,540

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2008

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and pooled investments	\$ 1,859	7,257	1,509	7,607
<b>Liabilities</b>				
Due to other groups	\$ 1,859	7,257	1,509	7,607

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 2,053,447	2,087,034	1,925,580	1,915,144	1,918,584
Tuition	52,364	52,897	12,394	20,427	18,031
Other	325,069	354,051	331,079	316,508	325,357
Intermediate sources	0	5,156	0	0	6,492
State sources	2,419,525	2,270,117	2,375,501	2,131,334	1,960,238
Federal sources	169,248	188,846	172,828	202,996	328,065
Total	<u>\$ 5,019,653</u>	<u>4,958,101</u>	<u>4,817,382</u>	<u>4,586,409</u>	<u>4,556,767</u>
Expenditures:					
Instruction:					
Regular instruction	\$ 2,023,817	1,977,452	1,886,311	1,858,393	1,741,905
Special instruction	674,584	491,232	585,131	447,281	655,031
Other instruction	509,896	602,160	457,905	545,605	438,463
Support services:					
Student services	114,789	120,087	98,707	150,235	122,554
Instructional staff services	270,209	149,004	116,982	129,518	146,768
Administration services	370,124	466,886	515,935	474,805	436,758
Operation and maintenance of plant services	376,627	366,824	369,362	354,057	358,371
Transportation services	187,081	291,658	178,054	155,619	160,239
Non-instructional programs	0	0	0	2,570	0
Other expenditures:					
Facilities acquisition	126,752	62,285	203,942	124,560	293,538
Long-term debt:					
Principal	145,000	140,000	135,000	130,000	125,000
Interest	35,300	40,900	45,563	51,925	56,838
AEA flowthrough	154,060	149,140	147,243	143,502	145,759
Total	<u>\$ 4,988,239</u>	<u>4,857,628</u>	<u>4,740,135</u>	<u>4,568,070</u>	<u>4,681,224</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Coon Rapids-Bayard Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Coon Rapids-Bayard Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 16, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Coon Rapids-Bayard Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Coon Rapids-Bayard Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Coon Rapids-Bayard Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Coon Rapids-Bayard Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Coon Rapids-Bayard Community School District's financial statements that is more than inconsequential will not be prevented or detected by Coon Rapids-Bayard Community School District's internal control. We consider the deficiencies in internal control described in Part I of the Schedule of Findings as significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Coon Rapids-Bayard Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

#### Compliance and Other Matters

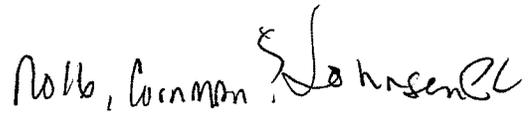
As part of obtaining reasonable assurance about whether Coon Rapids-Bayard Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Coon Rapids-Bayard Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Coon Rapids-Bayard Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Coon Rapids-Bayard Community School District and other parties to whom Coon Rapids-Bayard Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Coon Rapids-Bayard Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 16, 2009

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipt listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - Segregation of duties will be reviewed and modifications made, if possible.

Conclusion - Response accepted.

- I-B-08 Supporting Documents for Payments to Officials - We noted during the audit that payments were made to athletic officials prior to the event, however, there were not always copies of the contracts with the paid bills.

Recommendation - Pursuant to a valid contractual agreement between the school board and the officials, which includes terms and conditions for payment and compliance with Chapters 279.29 and 279.30 of the Code of Iowa, officials could be paid after the service has been rendered. For non-contract officials or substitute officials, payment should be made after services have been rendered and audited and allowed similar to other vendor payments. The district should have a policy and (athletic) officials should be informed that payment will be made in this manner unless a valid contract exists. Copies of the signed contracts should be supplied to the accounting staff before checks are issued. The signed contract should then be kept with the paid bills.

Response - The District will comply with this recommendation and require a signed contract before payment is made.

Conclusion - Response accepted.

- I-C-08 Student Activity Fund - We noted during our audit that the Student Activity Fund has a Class of 2007 account.

Recommendation - Upon graduation, the remaining balance in old class accounts should be redistributed to other individual activity fund accounts, used as start up funds for the next incoming class or transferred to another student activity fund account.

Response - The District will comply with this recommendation in the future.

Conclusion - Response accepted.

COON RAPIDS-BAYARD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amount budgeted.

II-B-08 Questionable Disbursements - We noted during our audit that the District gave prizes for yearbook and magazine sales to individual students from the Student Activity Fund. Prizes are considered cash and do not appear to meet the guidelines for public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District has contacted the Vendors, Yearbook Advisor, and the Magazine Sponsor to request this practice cease in the future.

Conclusion - Response accepted.

II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-08 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kevin Reis, Coach Owns Reis Lawncare	Purchased services	\$8,125
Jon Esdohr, Coach Owns Tru Value	Purchased services	\$17,854
Nancy Hagan, Board Member Substitute teacher	Purchased services	\$2,498
Kirk Davis, Teacher Owns Davis Construction	Purchased services	\$459

In accordance with Attorney General's Opinion dated July 2, 1990 the above transactions with Kevin Reis, Jon Esdohr, and Kirk Davis do not appear to represent a conflict of interest.

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with Nancy Hagan does not appear to represent a conflict of interest.

II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - The number of basic enrolled students reported to the Iowa Department of Education on line 2 of the Certified Enrollment Certification Form for October 2007 was overstated by one student. This resulted in overstating the total actual enrollment at line 7 by 1 student.
- Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response - We will comply with the recommendation.
- Conclusion - Response accepted.
- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-08 Financial Condition - At the year ended June 30, 2008, the Nutrition Fund had deficit unrestricted net assets of \$13,385.
- At the year ended June 30, 2008, the Special Revenues: Student Activity Fund had two deficit accounts totaling \$1,449.
- Recommendation - The District should monitor these balances and investigate ways to eliminate the deficits.
- Response - The District is aware of this deficit and will continue to look for cost savings.
- Conclusion - Response accepted.
- II-K-08 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.
- Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.
- Response - The District has contacted our financial institution and is complying with the recommendation.
- Conclusion - Response accepted.
- II-L-08 Check Signatures - We noted during our audit, instances of unauthorized signatures on the District's checks. Chapter 291.1 and 291.8 of the Code of Iowa requires the Board President and Board Secretary to sign all District checks with an original or facsimile signature. Also, according to Chapter 291.1, the Board President may designate an individual, that is not the Board Secretary, to sign warrants on his/her behalf, however the Board Secretary may not designate an individual to sign in his/her absence.

Recommendation - The District should review procedures to ensure that proper signatures are on all checks in order to be in compliance with Chapter 291.1 and 291.8 of the Code of Iowa.

Response - The Board will follow Chapter 291.1 and 291.8 of the Code of Iowa in the Future.

Conclusion - Response accepted.